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THE

WATERLOO

MANUFACTURING

COMPANY, LIMITED



ANNUAL REPORT 1966

OFFICERS AND DIRECTORS
THE WATERLOO MANUFACTURING COMPANY, LIMITED

OFFICERS

F. C. TAYLOR	.	.	.	.	President
L. A. KAAKE	.	.	.	.	First Vice-President
F. T. CARNEGIE	.	.	.	.	Second Vice-President
D. W. DAUB	.	.	.	.	Secretary-Treasurer

DIRECTORS

F. T. CARNEGIE	L. A. KAAKE
D. W. DAUB	S. MARSLAND
W. G. DINGWALL	I. G. NEEDLES
J. M. HARPER, Q.C.	F. C. TAYLOR

TRANSFER AGENT

NATIONAL TRUST COMPANY, LIMITED
Toronto, Ontario



**THE
WATERLOO
MANUFACTURING
COMPANY, LIMITED**

263 PHILLIP STREET, WATERLOO, ONTARIO, CANADA

April 26, 1967

To the Shareholders,

THE WATERLOO MANUFACTURING COMPANY, LIMITED

Your Directors present herewith the Balance Sheet of The Waterloo Manufacturing Company, Limited as at December 31, 1966, together with Statements of Income and Retained Earnings for the year ended on that date, and the Auditors' report thereon.

The net profit in 1966 was \$139,050. after depreciation of \$69,526., compared to a net profit in 1965 of \$124,151. after depreciation of \$70,447. Earnings per common share increased to \$2.57 in 1966 over \$2.30 per share in 1965.

Sales increased by 8% to \$4,959,536.

Purchases of Fixed Assets amounted to \$42,077; working capital increased by \$286,205. to \$668,186., and our five year term bank loan was reduced to \$200,000.

Sales and profits for the first quarter of 1967 show a satisfactory improvement over last year, but a substantial decrease in boiler orders due largely to the tight money situation may adversely affect our profit for this year.

The balance of the preference shares outstanding were redeemed subsequent to the year end.

We take this opportunity of expressing to our loyal and efficient staff our appreciation of their continued co-operation.

Respectfully submitted on behalf of the Board of Directors.

F. C. TAYLOR,
President.

AUDITORS' REPORT

To the Shareholders of

The Waterloo Manufacturing Company, Limited:

We have examined the balance sheet of The Waterloo Manufacturing Company, Limited as at December 31, 1966 and the statements of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of income and retained earnings present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned statements, presents fairly the changes in working capital for the year ended December 31, 1966.

Kitchener, Ontario,
March 23, 1967.

THORNE, MULHOLLAND, HOWSON & McPHERSON
Chartered Accountants

THE WATERLOO MANUFACTURING COMPANY, LIMITED

STATEMENT OF INCOME

Year ended December 31, 1966

(With comparative figures for 1965)

	1966	1965
Sales, net	\$ 4,959,536	\$ 4,581,705
Depreciation	69,526	70,447
Remuneration of directors for their services as directors and officers	55,689	52,350
Interest on long-term liability	19,452	
Other costs of sales, selling, administrative, financial and extraordinary expenses, less sundry revenues	4,558,311	4,234,139
	<u>4,702,978</u>	<u>4,356,936</u>
Income before undernoted taxes	256,558	224,769
Taxes on income (note 7)	117,508	100,618
Net income for year	<u><u>\$ 139,050</u></u>	<u><u>\$ 124,151</u></u>

STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1966

	Amount set aside as capital surplus re preference share redemptions	Balance of retained earnings	Total
Retained earnings at beginning of year ...	\$ 25,684	\$ 846,602	\$ 872,286
Net income for year		139,050	139,050
	<u>25,684</u>	<u>985,652</u>	<u>1,011,336</u>
Dividend on common shares paid in preference shares		27,003	27,003
	<u>25,684</u>	<u>958,649</u>	<u>984,333</u>
Amount set aside as capital surplus re preference share redemption during year	27,003	(27,003)	
Retained earnings at end of year	<u><u>\$ 52,687</u></u>	<u><u>\$ 931,646</u></u>	<u><u>\$ 984,333</u></u>

THE WATERLOO MANUFACTURING COMPANY

Incorporated under the laws of the Province of Ontario

BALANCE SHEET,

(With comparative figures for the preceding year)

	ASSETS	1966	1965
Current assets:			
Cash	\$	12,106	\$
Accounts and notes receivable (note 2)		912,842	1,148,931
Inventories (note 3)		656,904	569,430
Prepaid expenses		8,521	7,324
		<u>1,590,373</u>	<u>1,725,685</u>
Other asset			
Special refundable tax		3,291	
		<u>3,291</u>	
Fixed assets, at cost (note 4):			
Land, roads and improvements		68,036	68,036
Buildings		702,497	691,292
Machinery and equipment		916,788	889,086
		<u>1,687,321</u>	<u>1,648,414</u>
Less Accumulated depreciation		799,456	733,100
		<u>887,865</u>	<u>915,314</u>
		<u>\$ 2,481,529</u>	<u>\$ 2,640,999</u>

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EMBER 31, 1966

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	LIABILITIES	1966	1965
Current liabilities:			
Bank advances	\$		\$ 100,544
Accounts payable and accrued liabilities		825,176	1,157,712
Income taxes payable		47,011	85,448
Principal instalments due within one year on long-term liability		50,000	
		<u>922,187</u>	<u>1,343,704</u>
Long-term liability			
6% Bank loan, maturing December 31, 1970		200,000	
Less Principal instalments due within one year included under current liabilities		50,000	
		<u>150,000</u>	
Total liabilities		<u>1,072,187</u>	<u>1,343,704</u>

SHAREHOLDERS' EQUITY

Capital stock:			
Authorized			
1,000,000 4% non-cumulative non-voting prefer- ence shares, redeemable at par value of \$1.00 each (of which 52,686.5 issued shares have been redeemed)			
69,280 common shares without par value			
Issued			
27,002.5 preference shares (note 5)		27,003	27,003
54,005 common shares		398,006	398,006
		<u>425,009</u>	<u>425,009</u>
Retained earnings (note 6)		984,333	872,286
		<u>1,409,342</u>	<u>1,297,295</u>
		<u>\$ 2,481,529</u>	<u>\$ 2,640,999</u>

Approved on behalf of the Board:
F. C. TAYLOR, Director
J. M. HARPER, Director

THE WATERLOO MANUFACTURING COMPANY, LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1966
(With comparative figures for 1965)

	1966	1965
Funds made available:		
By operations:		
Net income for year	\$ 139,050	\$ 124,151
Depreciation, which does not involve an outlay of funds	69,526	70,447
Profit on sale of fixed assets reflected in net income for year	(1,422)	(1,013)
	<u>207,154</u>	<u>193,585</u>
Proceeds from sale of fixed assets	1,422	4,234
Proceeds from 6% bank loan	250,000	
Issue of 2,725 common shares		10,900
	<u>458,576</u>	<u>208,719</u>
Funds applied:		
Additions to fixed assets	42,077	303,240
Special refundable tax	3,291	
Redemption of preference shares	27,003	25,684
6% Bank loan		
Principal instalments due within one year reclassified under current liabilities	50,000	
Repayments during year	50,000	
	<u>172,371</u>	<u>328,924</u>
Increase (decrease) in working capital	286,205	(120,205)
Working capital at beginning of year	381,981	502,186
Working capital at end of year	<u>\$ 668,186</u>	<u>\$ 381,981</u>
Current assets	1,590,373	1,725,685
Current liabilities	922,187	1,343,704
	<u>\$ 668,186</u>	<u>\$ 381,981</u>

THE WATERLOO MANUFACTURING COMPANY, LIMITED

NOTES TO FINANCIAL STATEMENT

Year ended December 31, 1966

1. Wholly-owned subsidiary:

A wholly-owned subsidiary, Watmanco Co. Limited, is inactive and without assets and liabilities. No value is attached to the investment; earnings of the subsidiary in prior years are reflected in the accounts of the parent company.

2. Accounts and notes receivable:

	1966	1965
Accounts receivable	\$ 890,261	\$ 1,087,240
Notes receivable	33,262	71,627
	<u>923,523</u>	<u>1,158,867</u>
Less Allowance for doubtful accounts	10,681	9,936
	<u>\$ 912,842</u>	<u>\$ 1,148,931</u>

3. Inventories:

	1966	1965
Purchases for resale, at lower of cost and replacement cost	355,957	284,505
Work in process, at estimated cost	195,808	156,693
Raw materials, at lower of cost and replacement cost	105,139	128,232
	<u>\$ 656,904</u>	<u>\$ 569,430</u>

4. Fixed Assets:

The balance of cost of depreciable fixed assets deductible in determining taxes on income in future years is \$723,039 as at December 31, 1966.

THE WATERLOO MANUFACTURING COMPANY, LIMITED

NOTES TO FINANCIAL STATEMENT (Continued)

Year ended December 31, 1966

5. Capital stock:

During the year 27,002.5 preference shares were redeemed at par value of \$1.00 each and 27,002.5 preference shares were issued as a stock dividend on common shares.

6. Retained earnings:

As a result of a reorganization in 1939 by which the deficit at that time was eliminated, no portion of retained earnings is taxable undistributed income as defined by the Income Tax Act.

7. Taxes on income:

Taxes on income for the current year are after a reduction of \$3,920 because of the company's intention to claim for tax purposes capital cost allowance in excess of depreciation provided for the year in the accounts.

